

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Nicaragua

### Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

The 2010 report is still current in 2011. This is the link to the reference previous report:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

**Post:**

Managua

## **Executive Summary:**

### **SECTION I. MARKET SUMMARY**

According to the Central Bank of Nicaragua (BCN in Spanish), there was a 3.5 percent increment in the number of tourists that arrived to Nicaragua. The total number of tourists as of September 2011 was 781,524, mainly from Central America (58 percent), followed by the United States (27.5 percent).

Regarding the income generated by those visits, US\$256 million dollars were received as of August 2011, which is 18.8 percent higher than that for the same period in 2010.

The Nicaraguan Institute for Tourism (INTUR in Spanish) reported that in 2010, there were 1,011,251 tourists entering into the country, from which 646,018 arrived mainly via the borders. They came from the following countries: Honduras 21.2 percent; United States 20.8 percent; El Salvador 13.4 percent; Costa Rica 12.4 percent; Guatemala 7.6% and other countries 24.5 percent.

Moreover, INTUR added that 28 projects were approved by the Tourist Incentive Board under law 306 with a total amount of US\$134.5 million, from which 77.5 percent comes from foreign origin. These projects will create more than 7,000 temporary jobs and over 2,500 permanent positions.

### **Economic Situation**

The BCN stated that there was a 3.1 percent GDP growth for the second trimester of 2011, when compared to the same period in 2010. The Government of Nicaragua (GON) credited this achievement to higher government expenditures (social programs and subsidies), a higher influx of remittances and a lower contraction of consumer and housing credit.

Total remittances amounted to \$587.2 million from January to August 2011; this is basically a 10.3 percent increase for the same period in 2010. Nicaragua receives most of its remittances from the United States (62.41 percent). The other countries from which Nicaraguans send remittances are: Costa Rica (19.63 percent), Spain (5.9 percent), Panama (2.02 percent) and the rest of the world (9.9 percent).

Accumulated inflation reached 4.9 percent in September 2011, which represents an increase of 4.07 percent for the same month last year. This is attributed to the sliding currency, the prices for petroleum and food, and also to demand driven pressures.

GDP is expected to grow by 4 percent in 2011. The GON support this projection based on good prices for the main export products; a growing agricultural and industry sectors; investment recovery, mainly private investment; higher direct foreign investment (energy, tourism, agricultural); strong export dynamism and the constant influx of remittances.

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

### **A. Entry Strategy**

#### **Import Regulations**

These government ministries in Nicaragua regulate food imports:

- Ministry of Health
- Ministry of Trade along with the Nicaraguan Tax Authority (DGI)
- Ministry of Agriculture

#### **Labeling Requirements**

The Ministry of Industry, Development and Trade, Standards Office will determine if the product complies with the labeling requirements, once the product has been registered with the Sanitation Office at the Ministry of Health.

### **B. Market Structure**

The food service sector relies on local importers and distributors such as supermarkets and convenience stores to bring U.S. goods to their facilities.

The lodging segment faces significant challenges in the short-term as businesses and consumers scale back on travel due to higher prices in food and petroleum. Most hotels offer free breakfasts, Wi-Fi connection, laundry service as well as evening snacks.

### **C. Sub-Sector Profiles**

#### **Hotels**

According to INTUR, there were 611 establishments that provide lodging throughout Nicaragua in 2010. This represents a 15 percent growth, when compared to 2009. Below you will see how they are divided by category (Attachment A contains the number of establishments by department):

CATEGORY	NUMBER OF ESTABLISHMENTS	NUMBER OF ROOMS	NUMBER OF BEDS
HOTELS	244	5,636	9,161
OTHER LODGING	359	3,095	4,907
APART-HOTELS	8	149	241
TOTALS	611	8880	14309

The hotels are mostly concentrated in the capital, Managua. This is also where the largest part

of the business travelers in Managua stay at: Hilton Princess, Real Intercontinental Metrocentro and Crowne Plaza Hotel. They are all part of international chains in Central America and the United States.

In addition to that, there are two recently opened medium size hotels: Hotel Barceló Managua and Hotel Express. They offer cheaper rates and are conveniently located near downtown Managua and close to the international airport, respectively.

The Association of Small Hotels in Nicaragua (HOPEN in Spanish) has 76 members. Ms. Sandra Mejía, President of Hopen, stated that the average occupation of these hotels is 80 percent in Managua, and 60 percent in other departments, which is slightly higher than last year. Around one third of the small hotels are based in Managua but they are present throughout the country.

## **Restaurants**

The following are U.S. franchises operating in Nicaragua and the number of outlets they have: Subway (11), Pizza Hut (7), Burger King (6), McDonalds (5), Domino's Pizza (2), Papa John's (2), Quiznos (1), Sbarro (1), and TGI Friday's (1).

The franchises with more expansion are McDonald's and Subway. In the case of McDonald's, they have the same-store deals for both domestic and international operations. They offer the same products at the same time in Central America. It is also aggressively promoting and bringing the latest toys in the kids' value meals. It is now introducing Angus burgers and some desserts. They are very well-liked in Managua.

In the case of Subway, they are focusing heavily on value meals as competition has intensified. They have the promotion of the sandwich of the day in which the price is always under \$2.50.

Regarding local restaurants, Tip Top is the most popular fried chicken restaurant in Nicaragua with over 30 outlets. There are other restaurants that are highly recommended by Nicaraguans: Rostipollos, Pollo Estrella, Los Ranchos, Pizza Valenti's and Cocina de doña Haydée.

## **Institutional Sector**

With regards to the private sector participation in the HRI division, convenience stores also hold some good opportunities for foodservice providers. They continue to expand their supply of goods and now include coffee, sandwiches, chicken and pizza, as more affordable alternatives to some restaurants. The convenience stores that are part of the fuel stations have become very popular.

The GON is aware of the need of improving local infrastructure, especially in rural areas. Therefore, it requests donations from other countries to finance its needs. One major tourist attraction is the San Juan River. That is why the Ministry of Transportation and Infrastructure (MTI) started the construction of a bridge that will have 360 meters long at Río San Juan at the

border with Costa Rica. This is financed with a donation from Japan in the value of \$30 millions. It will be completed by the year 2014. According to the Minister, this project will simplify the transportation of goods in this region.

There are several tourist attractions in Río San Juan: Blue Lagoon, Esperanza Verde Natural Reserve, Indio Maíz Biological Reserve, Refugio de Vida Silvestre Los Guatuzos, Fortress of El Castillo, among others.

In addition to that, the Ministry of Infrastructure will receive a loan of US\$35 million from the World Bank to improve roads in the following departments: Granada, León, Managua, Matagalpa and Rivas. This project will connect rural areas with the capital, boost economic expansion with the creation of jobs and strengthen transparency in the transport sector.

In another effort to encourage tourist visits, INTUR created the "Routes" to promote local attractions. One of them is the "Coffee Route" which includes the northern departments of Estelí, Jinotega, Madriz, Matagalpa and Nueva Segovia. With donations received from Luxembourg, this government entity will start the second phase with a total of US\$9,183,600 for a project that includes strengthening local capacity, participation in workshops and training, registration of tourist enterprises, development of municipal plan and tours to natural reserves.

Likewise, the current government administration is using the logo "Nicaragua... Unica, Original" to market the country as a tourist destination. This is an example of how important the HRI sector has become in terms of generating income to the second poorest country in Latin America.

## **Supermarkets**

There are three main supermarket companies in Nicaragua. The largest chain is Wal-Mart Nicaragua which is owned by Wal-Mart México and Central America. They have three supermarket formats: La Unión (8 outlets), Palí (58 outlets) and Maxi Palí (1 outlet). The first format aims to attract middle to upper class with air conditioning, credit cards billing and reasonable prices. In addition to that, these outlets always close late in the evenings. The second and third format aims to attract the low to middle class segments in Nicaragua with no air conditioning, no credit cards acceptance and low prices.

The second main supermarket company is La Colonia, which is owned by Nicaraguans. It has 13 outlets in Managua and 3 out of Managua (Matagalpa, Granada and Chinandega).

The third main supermarket company is PriceSmart, which is a supermarket format created in Panamá with U.S. capital. There is only 1 outlet in Managua.

In the case of supermarkets, there has been an expansion in the number of outlets in Nicaragua since 2004. For instance, la Colonia went from 7 to 16 outlets and Wal-mart went from 33 to 67 outlets. This means that the number of outlets for these two chains has doubled in seven years.

## **Airlines**

There is a local airline company, La Costeña, which connects the Pacific and the Atlantic Coast in Nicaragua. Even though infrastructure in general is poorly developed or maintained, Nicaragua has great natural scenery to offer to all kinds of tourists including 7 percent of the world's biodiversity.

## **Cruises**

INTUR added that 49 cruises arrived to Nicaragua with 37,229 passengers. 17,040 cruise members participated in tours to the country side.

## **SECTION III. COMPETITION**

According to Customs (DGA in Spanish), the United States continues to be Nicaragua's leading trading partner in 2011. Imports from Nicaragua's top three suppliers total US\$ 713,202.45, which is 21.1 percent of total imports, from the U.S., followed by US\$ 654,841.75 from Venezuela, and US\$ 323,849.08 from China.

Great quantities of U.S. products are available in Nicaragua. Specific beef cuts, pastas, liquor, fruits, vegetables, and seafood are among the top imports directed to the HRI industry.

Due to globalization and to the fact that many Nicaraguans live in the United States, the majority of the population prefer the quality of the products that come from North America. This is a window of opportunity to the HRI sector to bring more goods that are appealing to the consumers.

On the other hand, one of the challenges for the HRI sector is higher prices for food and petroleum. This segment could be hurt as consumers spend more money filling their gas tanks and paying for the basic services. Moreover, transport costs for deliveries could become much more expensive, and many distributors may end up transferring these extra costs to the final consumers.

In addition to that, the GON is subsidizing the energy bills with assistance from the Venezuelan Governments. For next year, the GON is forecasting an increase of 12 percent in the electricity bill.

## **SECTION IV. BEST PRODUCT PROSPECTS**

According to the BCN, there is an increase of US\$46.5 millions of imports related to consumer goods, when compared to the same period January – August 2010. The products for which there has been a higher demand in recent years are:

- Edible oil
- Milk (powder)
- Bread
- Cookies
- Mineral Water

Regarding bulk imports, the top four products are: wheat, coarse grains, rice and soybeans. Below you will find the Nicaraguan food imports from the United States in bulk:

		2010	Jan - Oct 2010	Jan - Oct 2011	
Partner	Product	Value in dollars	Value in dollars	Value in dollars	Period/Period % Change (Value)
Nicaragua	Wheat	31,812	25,519	51,994	104
Nicaragua	Coarse Grains	22,216	17,050	39,160	130
Nicaragua	Rice	43,422	41,794	21,994	-47
Nicaragua	Soybeans	30,263	30,263	3,911	-87

Source: Global Agricultural Trade System / BICO Report

## SECTION V. POST CONTACT AND FURTHER INFORMATION

### Agriculture and Rural Development

- [Ministry of Agriculture and Forestry](#)
- [National Forestry Institute](#)

### American Embassy Managua

- [American Embassy](#)

### Branches of Government

- [Central Bank of Nicaragua](#)
- [Nicaraguan Customs](#)
- [Nicaraguan Institute for Tourism](#)
- [Ministry of Transport and Infrastructure \(MTI\)](#)
- [National Assembly](#)
- [Nicaraguan Tourism Institute](#)
- [Office of the President](#)
- [Supreme Court](#)
- [Supreme Electoral Council](#)

### Business Associations

- [Association of Consumer Goods Distributors](#)
- [Association of Producers and Exporters of Nicaragua](#)
- [Chamber of Commerce of Nicaragua](#)
- [Chamber of Industries of Nicaragua](#)
- [Directory of Nicaragua's Small Hotels](#)
- [Superior Council of Private Enterprise](#)

#### Health

- [Ministry of Health](#)

#### Tax Authority

- [Nicaraguan Tax Authority](#)

#### Trade and Investment

- [Export Transaction Center](#)
- [Ministry of Development, Industry, and Trade](#)
- [National Free Trade Zone Commission](#)
- [ProNicaragua – Investment Promotion Agency](#)

#### Travel guide

- <http://www.alfatravelguide.com/english/ni/managua-b.asp>
- [www.munitur.com.ni](http://www.munitur.com.ni)
- [www.Nicaragua-vacations.com](http://www.Nicaragua-vacations.com)
- [www.vianica.com](http://www.vianica.com)
- [www.wavesnicaragua.com](http://www.wavesnicaragua.com)

# ATTACHMENT A – INTUR 2010

DEPARTMENT	NUMBER OF ESTABLISHMENTS	NUMBER OF ROOMS	NUMBER OF BEDS
Managua	146	3,361	5,360
Rivas	71	931	1,440
León	64	632	1,271
Granada	57	695	1,166
RAAS	47	483	616
Matagalpa	36	458	801
Estelí	26	184	371
RAAN	26	372	472
Chontales	24	350	439
Masaya	21	237	486
Chinandega	21	279	444
Jinotega	21	244	319
Río San Juan	20	201	418
Carazo	12	138	210
Boaco	9	125	176
Madríz	5	79	150
Nueva Segovia	5	111	170
TOTALS	611	8880	14309